



Commercial TRENDS Boston



1st Half 2002 Issue 6

Department of Neighborhood Development - Policy Development & Research Division - City of Boston - Thomas M. Menino, Mayor

In Focus Special: *Neighborhood Spending Power & Marketing*

Commercial Market Muddles Along

This issue of CTB reports the results of our annual commercial lease survey, conducted during July, August, and September. Lease rates are flat or declining in most areas, although exceptions exist. A broad consensus from the neighborhoods indicates that retail lease prices have fallen nearly 10% while office leases have fallen between 10% and 15%. Concurrently, many neighborhoods had filled most vacancies before the economic downturn, so there is not a lot of activity occurring that tests the market.

Table 1
Retail Lease Rates
(Triple Net)

Neighborhood	mid 2000	mid 2001	mid 2002
Allston/Brighton	\$17 to \$23		
Allston	N/A	\$14 to \$32	\$16 to \$30
Brighton Ave	N/A	\$16 to \$19	\$16 to \$30
Commonwealth Ave.	N/A	\$25 to \$30	\$16 to \$24
Harvard Street	N/A	\$14 to \$25	\$20 to \$26
Brighton	N/A	\$18 to \$32	\$23 to \$35
Cleveland Circle	N/A	\$20 to \$37	\$27 to \$35
Oak Square	N/A	N/A	\$20 to \$24
Back Bay/Beacon Hill	\$22 to \$100	\$25 to \$100	\$40 to \$75
Newbury Street	N/A	\$60 to \$120	\$50 to \$110
Central	\$22 to \$25	\$25 to \$125	\$35 to \$75
City Hall area	N/A	\$60 to \$125	\$60 to \$70
Charlestown	\$15 to \$20	\$25	\$25 to \$30
Dorchester	\$12 to \$25	\$10 to \$20	\$9 to \$18
Codman Square	N/A	\$10 to \$12	\$9 to \$15
East Boston	\$10 to \$15	\$14 to \$21	\$12 to \$23
Fenway/Kenmore	N/A	\$20 to \$100	\$23 to \$85
Hyde Park	\$9 to \$12	\$12 to \$20	\$12 to \$20
Cleary Square	N/A	\$16 to \$20	\$16 to \$20
Jamaica Plain	\$18 to \$21	\$20 to \$30	\$12 to \$27
Centre Street	N/A	\$20 to \$27	\$19 to \$27
Washington Street	N/A	\$12 to \$20	\$12 to \$17
Mattapan	\$10 to \$20	\$12 to \$20	\$10 to \$20
Mattapan Square	N/A	\$16 to \$23	\$12 to \$20
Roslindale	\$10 to \$13	\$10 to \$18	\$12 to \$20
Roslindale Square	N/A	\$14 to \$18	\$16 to \$18
Roxbury	\$14 to \$20	N/A	\$10 to \$27
Dudley Square	\$20	\$24 to \$29	\$18 to \$27
Blue Hill Ave.	\$14	\$16	\$10 to \$19
South Boston	\$13 to \$18	\$29	\$22 to \$26
South Station	\$205	N/A	N/A
South End	\$16 to \$20	\$35	\$25 to \$35
West Roxbury	\$11 to \$22	N/A	\$14 to \$29
Centre St. - CBD	\$15 to \$22	\$17 to \$25	\$23 to \$29
Spring St./Star Mkt Area	N/A	\$20 to \$27	\$17 to \$25
VFW Parkway	N/A	\$22 to \$26	\$22 to \$26
Washington St.	N/A	\$14 to \$17	\$14 to \$18

Source: Boston Real Estate Agencies & Management Companies

The neighborhood retail landscape is a mixed bag (see Table 1). Brighton Center, the South Boston Main Streets area, Charlestown's Navy Yard area, and East Boston all report near zero vacancies. Supply remains short in heavily populated Dorchester, along with Hyde Park and Jamaica Plain. Despite much hand wringing over vacancies in West Roxbury, a recent Main Streets Resource Team survey reveals that the vacancy rate is 8%, deemed average for commercial areas. Additional space will soon be brought on board in West Roxbury as the spiffy new Roche Brothers complex adds a strip mall that should secure new highs in West Roxbury retail lease rates. The food court space at the new 88 Market on Brighton Avenue also is bringing in new highs for this area. The excitement generated by high quality restaurants in Roslindale Village is keeping rental vacancies less than 5%.

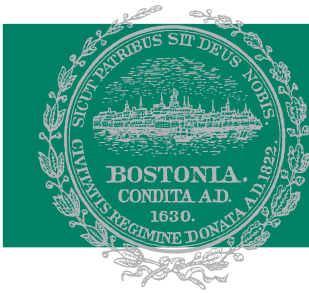
Boston's newest transit link, the Silver Line, is pumping demand near connecting routes through the South End and Roxbury. But, leasing prices in some areas of both Roxbury and the South End have dropped between 20% and 25% since last year. Even chi-chi Newbury Street is witnessing retail price drops as much as 15%, with further softness resulting from a sublease market that mirrors the situation in the office market.

Overall, while lease rates are creeping lower, Boston's neighborhood retail areas remain stable. Most secure will be those commercial clusters that are working together to coordinate activities, recruit the right mix of businesses, and nurture closer ties with the community. Customer loyalty really pays off in a downturn. To this end, look for special deals and festive events associated with the recently launched "Holidays on Main Streets" campaign.

Nevertheless, uncertainty abounds. Are the areas showing steep rate decreases giving us a glimpse of the future? After all, activity in the neighborhoods typically lags behind the downtown scene. While neighborhood merchants enjoy some insulation from the downturn by selling necessity and convenience items, what happens if the job market remains

Send Us Your Data

The R&D Unit is interested in your rental data. Help us stay current. Our goal is to include all Boston Main Streets and commercial districts. We'd like to narrow the ranges presented here so businesses have the most accurate rent information. Call Keith Kuzmin at 635-0340 or send a fax: 635-0262 or email: kkuzmin.dnd@ci.boston.ma.us



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anemic? Will consumers finally start to cut back? It must also be noted that the neighborhood commercial market has not been fully tested due to an abundance of multi-year leases signed during the boom times. It remains to be seen

Table 2
Office Lease Rates
(Gross Rates)

Neighborhood	Class	Ave. Range		
		mid 2000	mid 2001	mid 2002
Allston	B	\$22 to \$30	\$16 to \$21	\$17 to \$24
Comm & Brighton Aves	B	\$16 to \$21	\$13 to \$18	\$16 to \$19
Allston	C	\$12.50 to \$17	N/A	\$10 to \$15
Brighton	A	N/A	N/A	\$22 to \$32
Brighton	B	\$16 to \$21	\$12 to \$29	\$12 to \$25
Brighton	C	\$12.50 to \$17	N/A	\$10 to \$15
Back Bay/Beacon Hill	A	\$45 to \$54	\$50 to \$75	\$47 to \$60
Back Bay/Beacon Hill	B	\$27 to \$39	\$35 to \$50	\$25 to \$42
Back Bay/Beacon Hill	C	\$12 to \$27	\$25 to \$32	\$13 to \$25
Central				
Financial District	A	\$57.5	\$55 to \$87	\$45 to \$75
Financial District	B	\$35 to \$55	\$31 to \$50	\$20 to \$45
North Station	A	N/A	N/A	\$55
North Station	B	\$25 to \$34	\$35 to \$48	\$23 to \$46
Central	C	\$8 to \$25	\$16 to \$25	\$12 to \$22
Charlestown	C	No update	\$15 to \$45	\$15 to \$25
Medford Street	B	N/A	\$39	\$35
Constitution Plaza	B	\$30 to \$36	Full	\$29 to \$35
Schrafft Center	B	N/A	N/A	\$25 to \$30
Dorchester				
Morrissey Boulevard	B	N/A	\$30 to \$40	\$25 to \$35
North Dorchester	B/C	\$21 to \$35.5	\$19 to \$26	\$12 to \$19
South Dorchester	B/C	\$15 to \$18	\$15 to \$18	\$12 to \$17
East Boston	B/C	No update	\$18 to \$22.5	\$8 to \$15
Fenway/Kenmore	B	\$50	\$28 to \$50	\$35 to \$45
Fenway/Kenmore	C	\$25 to \$28	\$20 to \$28	\$25 to \$30
Hyde Park	B/C	\$10 to \$15	\$12 to \$18	\$10 to \$16
Readville	B/C	N/A	\$14	\$12 to \$13
Jamaica Plain	B/C	\$15 to \$25	\$15 to \$25	\$12 to \$22
Mattapan	B/C	\$12 to \$15	\$15	\$11 to \$13
Roslindale	B/C	No update	\$10 to \$15	\$10 to \$13
Roxbury	B/C	\$12 to \$22	\$18 to \$25	\$15 to \$37
Dudley Square	B	\$16 to \$25	\$22 to \$29	\$27 to \$37
Blue Hill Ave.	B	\$16	\$16 to \$18	\$15 to \$17
South Boston	B/C	\$10 to \$40	\$10 to \$35	N/A
Fort Point Channel	A	\$35 to \$40	\$43 to \$65	\$38 to \$52
Fort Point Channel	B	N/A	\$26 to \$42	\$19 to \$37
South Station area	A/B	No update	\$28 to \$67	\$21 to \$38
South End	B	\$30 to \$36	\$30 to \$36	\$27 to \$45
	C	N/A	\$18 to \$27	\$20 to \$25
West Roxbury	B/C	\$12 to \$22	N/A	N/A
Central Business Dist.	B	\$18 to \$22	\$19 to \$21	\$18 to \$28
Washington Street	B/C	N/A	\$14 to \$17	\$21 to \$24
VFW Parkway	B/C	N/A	\$20 to \$22	\$22 to \$26

Source: Spaulding & Slye Colliers International and other Boston Real estate agencies and management companies.

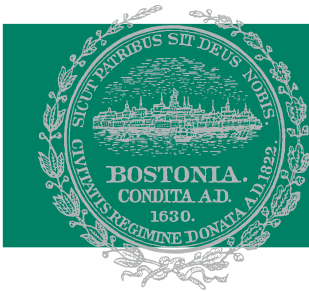
how many entrepreneurs will want to start businesses in the current climate as these leases expire. Quoting the summer 2002 *Spaulding & Slye Report*, "The favorable effects of improvement in the general economy will not be felt in real estate markets during the remainder of 2002, nor before late 2003 at the earliest." In some quarters, the good news is that the rate of bad news is slowing down.

The Office Rental Market: Looking for a Silver Lining

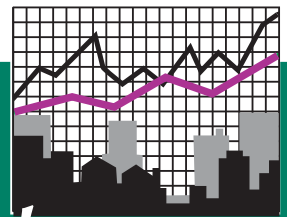
The widely publicized downtown office market continues to struggle as the economy plods along (see Table 2). Employment is the easy answer about what is wrong. Much more difficult questions are why, where, and when will employment pick up. As the answers to these questions remain elusive, economists and market watchers increasingly shove economic recovery farther into the future. In the meantime, major Boston employers in high tech and financial industries continue to lay off employees. As businesses hunker down to ride out the storm, business activity slows. As business slows, there is no need for new hiring. With no new hiring, demand dissipates for office space. And in the economic web we reside, job losses and dwindling income eventually crimp consumer spending.

Net absorption is the term used by the pricey downtown office market to indicate for a given period of time the difference between vacancies coming on the market and vacant space that is being leased. For any quarter, the desirable result is that leased space, measured in positive square feet, exceeds new vacancies, measured in negative square feet. Downtown real estate firm Spaulding & Slye Colliers is reporting that Boston has scored negative absorption in five of the past six quarters. The good news is that quarterly negative absorption is decreasing. The current office market malaise is compounded by a significant quantity of sublease space returning to the market. This is currently leased office space secured during the economic bubble for growth and expansion plans that will never be fulfilled. Spaulding & Slye Colliers reports that the combined vacancy rate for direct and sublease space by the end of 2001 is 14.2%, edging toward the 15.9% vacancy peak recorded during the last recession.

The "downtown" office market dwarfs the neighborhood market. Many neighborhood office spaces located in upper floors, back rooms, and basements, tend to be afterthoughts once the more visible and lucrative retail space is leased. While it makes good business sense for many types of firms to acquire Class A space in prestigious locations with signifi-



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cant amenities, the health and vitality of Boston's neighborhoods increasingly attract more office clients. In truth, Class A office space is no longer the sole claim of "downtown" as this type of space is now found in Brighton, Charlestown, and South Boston. Many other communities are adding desirable office space through new construction or redevelopment. Dudley Square in Roxbury is a prime beneficiary of redevelopment activity.

Boston continues to build and restore despite the downturn because the fundamental strengths endure. The city is internationally known as a unique and desirable destination. It is home to a tremendous intelligentsia that excels in technology, finance, medicine, education, and the arts. Land is scarce and entry barriers are high. And wait until the Big Dig is done. That's why spectacular new renovation and construction is taking place at the Stop and Shop bakery in the North End, Russia's Wharf at the entranceway to the Seaport District, and the Channel Center near Fort Point Channel.

Commercial Building Sales and Revenues Slump

The 89 sales of commercial buildings (Figure 1) reported by Banker & Tradesman in the first half of 2002 is the lowest number of semi-annual transactions since CTB first started monitoring the Boston market in the 2nd half of 1995. The sales value of \$85.18 million is also the lowest result over the period. Of course, statistics can be slippery. Had the sale of 466-474 Atlantic Ave been recorded one day sooner, an additional \$82.2 million would have nearly doubled the half year's sales value. Nevertheless, with only 89 transactions this half, and 91 in the previous half year, there is no question that activity has fallen precipitously. Downtown brokerages are filling the time with personnel shifts and mergers.

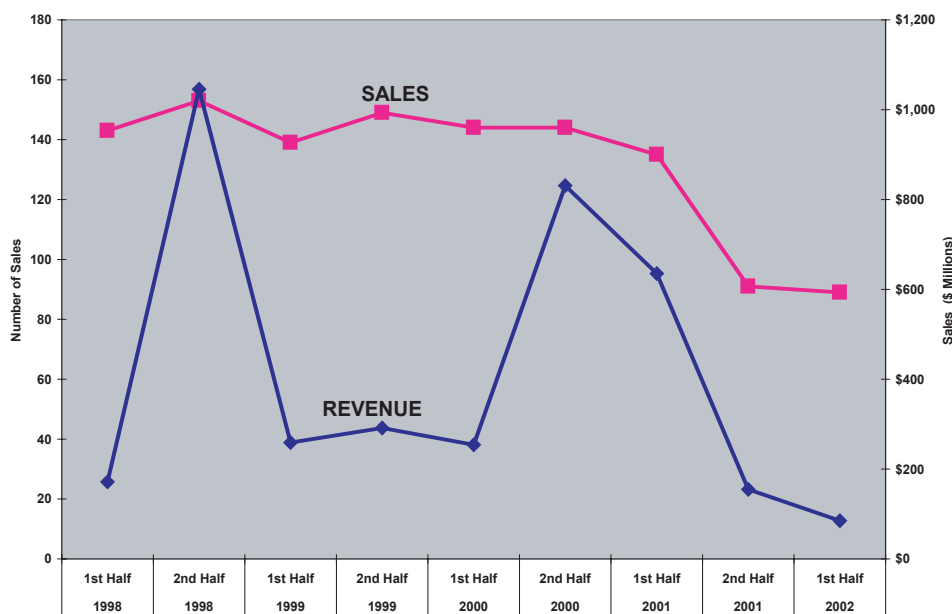
Building sales in the neighborhoods, minus vacant commercial land and parking lot sales, totaled \$47.9 million during the first half of 2002. The 605,272 square feet of gross interior space purchased in the neighborhoods sold for an average of \$79.12/sf. Downtown, 86,288 gross interior square feet sold for \$32.9 million or an average of \$381.49/sf. Six parking lots sold during this period. The five that sold in the neighborhoods (16,160 square feet for \$374,000) averaged a sales price of \$23.14/sf. The single lot selling in the Fenway area (1320 - 1330 Boylston Street) sold for \$429.65/sf (9,310 sf for \$4 million).

Deal Sizes Dwindle

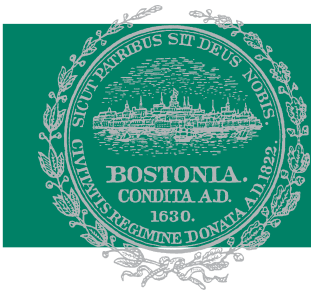
The median price of buildings sold plummeted to \$219,000 in the second half of 2002, a \$181,000 drop from the previous half year (Figure 2). The highest sales price of the first half 2002 is \$10.25 million occurring at 71 Summer Street. Without the usual mega-deals, the average selling price of \$957,079 is the lowest since the 2nd half of 1996 when it was \$654,793.

Figure 1

Commercial Building Sales and Revenues
(Jan 1998 to June 2002)



Source: Banker & Tradesman



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Commercial Land Grab

Sales of vacant commercial land rocketed upward this period, with 14 sales in the first half of 2002 compared to only 2 in the last half of 2001 (Figure 3). Perhaps long-term confidence is the order of the day. Realizing that the future is bright, developers may be taking advantage of the downturn to secure lower construction costs and deal with the myriad of siting and permitting issues while the action slows.

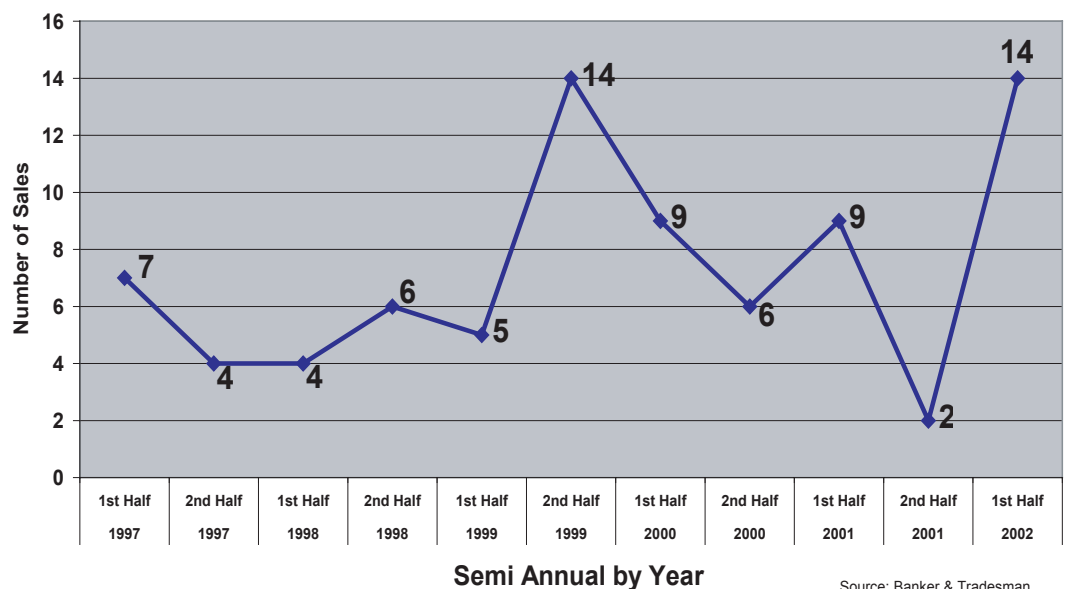
Sales of vacant commercial land hit a whopping \$47 million in the first half of the year, although the property sale at 480-516 Atlantic Avenue accounted for nearly three quarters of this total. This 122,098 square foot site sold for \$279.62 per square foot, high but not as high as properties in Roxbury (\$681.43/sf), the Central Business District (\$1,266.15/sf), and Dorchester (\$1,743.31/sf). The citywide average is \$266.87 per square foot.

Figure 2
Median Sales Price - Commercial Sales
(Jan 1997 to June 2002)



Source: Banker & Tradesman

Figure 3
Vacant Commercial Land Sales
(Jan 1997 to June 2002)



Source: Banker & Tradesman



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Neighborhood Sales Account for Volume

In eleven of Boston's neighborhood planning districts, during the first half of 2002 only five increased the value of commercial building sales and the number of sales from the previous

period. (Table 3). In sum, there were 76 sales compared to 69 during the previous period. The value of sales plummeted though. The 2002 first half \$48.3 sales value was almost half of the previous period (\$91 million). These 76 sales account for 85% of total sales in Boston during the first half of 2002.

Table 3
Neighborhood Roundup

Allston/Brighton	00 2nd Half	01 1st Half	01 2nd Half	02 1st Half	Mattapan	00 2nd Half	01 1st Half	01 2nd Half	02 1st Half
Median Price	\$831,383	\$950,000	\$905,000	\$550,000	Median Price	\$427,500	\$180,000		\$274,500
Highest	\$1,600,000	\$9,380,000	\$4,400,000	\$2,955,832	Highest	\$1,532,901	\$279,500	\$1,000,000	\$2,950,000
Total Revenue	\$11,887,574	\$30,261,614	\$7,575,000	\$11,500,832	Total Revenue	\$3,241,901	\$631,500	\$1,504,000	\$4,005,000
Total Sales	14	14	5	12	Total Sales	6	3	2	6
Charlestown	00 2nd Half	01 1st Half	01 2nd Half	02 1st Half	Roslindale	00 2nd Half	01 1st Half	01 2nd Half	02 1st Half
Median Price		\$342,500			Median Price	\$313,800	\$425,000	\$257,500	
Highest		\$564,000	\$750,000		Highest	\$380,000	\$550,000	\$400,000	
Total Revenue	\$140,000	\$1,439,500	\$1,002,000		Total Revenue	\$868,800	\$1,275,000	\$1,125,000	
Total Sales	1	4	2	0	Total Sales	3	3	4	0
Dorchester	00 2nd Half	01 1st Half	01 2nd Half	02 1st Half	Roxbury	00 2nd Half	01 1st Half	01 2nd Half	02 1st Half
Median Price	\$600,000	\$185,000	\$410,000	\$306,500	Median Price	\$262,500	\$202,000	\$342,000	\$420,000
Highest	\$76,945,328	\$2,300,000	\$2,290,000	\$3,550,000	Highest	\$1,800,000	\$2,300,000	\$38,150,000	\$1,125,000
Total Revenue	\$110,559,600	\$4,027,000	\$9,502,000	\$9,768,400	Total Revenue	\$6,411,000	\$6,899,920	\$41,407,050	\$3,314,000
Total Sales	19	10	12	16	Total Sales	14	16	10	6
East Boston	00 2nd Half	01 1st Half	01 2nd Half	02 1st Half	South Boston	00 2nd Half	01 1st Half	01 2nd Half	02 1st Half
Median Price	\$175,000	\$291,500	\$289,555	\$274,000	Median Price	\$415,000	\$330,000	\$492,500	\$563,250
Highest	\$1,525,000	\$13,750,000	\$2,200,000	\$610,000	Highest	\$1,900,000	\$5,065,000	\$11,500,000	\$900,000
Total Revenue	\$5,655,555	\$15,603,000	\$5,746,015	\$3,289,500	Total Revenue	\$10,437,256	\$11,062,500	\$18,966,000	\$4,641,500
Total Sales	19	8	14	12	Total Sales	16	15	10	8
Hyde Park	00 2nd Half	01 1st Half	01 2nd Half	02 1st Half	West Roxbury	00 2nd Half	01 1st Half	01 2nd Half	02 1st Half
Median Price	\$470,000	\$204,000	\$302,500	\$385,000	Median Price	\$840,693	\$900,000		\$215,000
Highest	\$8,160,000	\$900,000	\$1,500,000	\$4,670,719	Highest	\$1,125,000	\$2,500,000	\$375,000	\$250,000
Total Revenue	\$11,640,000	\$1,778,740	\$2,735,000	\$9,967,694	Total Revenue	\$3,006,386	\$3,740,000	\$565,000	\$430,000
Total Sales	8	6	6	10	Total Sales	4	3	2	2
Jamaica Plain	00 2nd Half	01 1st Half	01 2nd Half	02 1st Half	TOTALS	00 2nd Half	01 1st Half	01 2nd Half	02 1st Half
Median Price	\$525,000	\$700,000		\$322,000	Total Revenue	\$166,762,445	\$83,958,774	\$90,976,565	\$48,260,926
Highest	\$1,042,373	\$5,100,000	\$650,000	\$425,000	Total Sales	109	87	69	76
Total Revenue	\$2,914,373	\$7,240,000	\$849,500	\$1,344,000					
Total Sales	5	5	2	4					

Source: Banker & Tradesman

In Focus Special: Neighborhood Spending Power & Marketing

New Census Data Demonstrates Neighborhood Spending Power

Long awaited Census 2000 income data has finally become available (Table 4). Despite a bad economy, retailers have learned that population density creates superb spending power. Census 2000 indicates that citywide gross household income was \$13.76 billion. With a population of 588,501,

the per capita income in Boston was \$23,353, which is slightly more than the national average of \$21,587. In comparison, Baltimore with 651,154 people has a gross income of \$11 billion, Washington D.C. with 572,059 has gross income of \$16.4 billion, and Seattle with 563,374 has gross income of \$17.1 billion.



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Table 4 also provides a closer look at the population, income, and density of Boston's neighborhoods. In this issue, we use this data in a model that demonstrates how prospective marketers can gauge the potential for success or failure. It is important to note that we make broad assumptions that need to be customized to represent the specific characteristics of each neighborhood.

A fact of life is that some portion of gross income as reported by Census 2000 is absorbed by income taxes. For the purpose of this model, we assume that 20% of gross income is applied to state and federal income tax. Of course, the marketer wishing greater accuracy would want to survey the neighborhood or sub-neighborhood to better understand what after-tax income looks like. Income levels, poverty rates, and the age of the population all factor into an area's average tax liability. Additionally, housing costs absorb a substantial portion of spendable income. Table 4 utilizes Census 2000 income data to determine aggregate neighborhood income. The portion of income that neighborhood residents will spend for housing can be expected to vary for different neighborhoods.

Population density is another important element in assessing spending power. Spending power is as dependent upon a community's density as it is on average income. For example, continuing to use the 20% tax expense variable, per capita income (after tax) in West Roxbury is \$23,968 which is \$10,954 more than in Dorchester (Table 5). However, the average population density, here measured in the number of residents per square mile, is significantly greater in Dorchester (14,895) than in West Roxbury (5,325). Thus, though on average the individual Dorchester resident might have less to spend, there are more residents to buy goods and services. As a result, the average spending power per square mile in Dorchester exceeds that of West Roxbury by over \$104 million.

Table 4
Census 2000 Income in Boston Neighborhoods

	Population	Percent of Total Pop.	Land Area (sq. miles)	Density*	Aggregate Neighborhood Income	Portion of Boston's Total Income	Agg. Neighborhood Income After Taxes**
Allston/Brighton	69,648	11.8%	4.4	15,829	\$ 1,527,878,600	11.1%	\$1,222,302,880
Back Bay/Beacon Hill	27,879	4.7%	0.9	30,977	\$ 1,845,469,300	13.4%	\$1,476,375,440
Central	24,125	4.1%	1.3	18,558	\$ 1,037,899,500	7.5%	\$830,319,600
Charlestown	15,195	2.6%	1.4	10,854	\$ 592,044,700	4.3%	\$473,635,760
Dorchester	90,862	15.4%	6.1	14,895	\$ 1,545,970,400	11.2%	\$1,236,776,320
East Boston	38,413	6.5%	4.7	8,173	\$ 582,625,100	4.2%	\$466,100,080
Fenway/Kenmore	36,831	6.3%	1.2	30,693	\$ 549,065,000	4.0%	\$439,252,000
Hyde Park	31,717	5.4%	4.4	7,208	\$ 611,493,100	4.4%	\$489,194,480
Jamaica Plain	36,299	6.2%	3.2	11,343	\$ 870,869,100	6.3%	\$696,695,280
Mattapan	37,313	6.3%	2.8	13,326	\$ 556,626,100	4.0%	\$445,300,880
Roslindale	34,564	5.9%	3.7	9,342	\$ 713,084,200	5.2%	\$570,467,360
Roxbury	58,725	10.0%	3.9	15,058	\$ 773,724,400	5.6%	\$618,979,520
South Boston	29,938	5.1%	3.1	9,657	\$ 725,738,100	5.3%	\$580,590,480
South End	28,239	4.8%	1.0	28,239	\$ 1,016,104,700	7.4%	\$812,883,760
West Roxbury	28,753	4.9%	5.4	5,325	\$ 804,157,300	5.8%	\$643,325,840
Harbor Islands	640	0.1%		640	\$ 5,506,400	0.0%	\$4,405,120
Boston Aggregate	589,141		47.5	12,403	\$13,758,256,000		\$11,002,199,680

* Average population per square mile.

** Assumes taxes are 20% of income.

Source: Census 2000

Table 5
Spending Power Comparison

Neighborhood	Population Density Pop. / Sq. Mile	Per Capita Income By Neighborhood (after tax)	Neighborhood Average Spending Power / Sq. Mile
Allston/Brighton	15,829	21,937	\$347,240,773
Back Bay/Beac Hill	30,977	66,196	\$2,050,553,492
Central	18,558	43,022	\$798,402,276
Charlestown	10,854	38,963	\$422,904,402
Dorchester	14,895	17,014	\$253,423,530
East Boston	8,173	15,167	\$123,959,891
Fenway/Kenmore	30,693	14,908	\$457,571,244
Hyde Park	7,208	19,280	\$138,970,240
Jamaica Plain	11,343	23,992	\$272,141,256
Mattapan	13,326	14,918	\$198,797,268
Roslindale	9,342	20,631	\$192,734,802
Roxbury	15,058	13,175	\$198,389,150
South Boston	9,657	24,241	\$234,095,337
South End	28,239	35,982	\$1,016,095,698
West Roxbury	5,325	27,968	\$148,929,600
Boston Aggregate	12,389	23,353	\$289,320,317

Of course, for many goods and services, retailers target certain niches. If the targeted niche is high income, than the entrepreneur would return to Census 2000 for more finely detailed income data by neighborhood. A comparison of high income residents would help determine which neighborhood is a better fit for the high end retailer.



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Determining How Much Each Neighborhood Spends on Specific Goods and Services

Once a prospective business owner is comfortable that his selection of variables best represents both the community and his goals, he can reference a historical index that shows the typical distribution of spendable income. A recommended source is the U.S. Bureau of Labor's "Relative Importance of Components in the Consumer Price Indexes: U.S. City Average, December 2001". It is important to note that spending by category percentages provided in Table 6 result from 2001 Bureau of Labor averages for all US urban areas. They are not actual spending amounts for Boston's neighborhoods; rather, they are representative approximations.

With these percentages, we can estimate the amount of dollars available in each neighborhood for goods and services. The prospective entrepreneur should keep in mind that this index further breaks down each of these seven categories, providing more detailed analysis that we do not have room to print here. Consult the source website for more detailed information [ftp://ftp.bls.gov/pub/special.requests/cpi/cpiri98-00_2001.txt].

For example, Table 6 provides the tools that allow you to estimate that in a given year, Allston/Brighton will spend approximately \$192 million (15.72 %) on "Food and Beverages", \$500 million (40.87%) on "Housing", \$54 million (4.4%) on "Apparel", and so on. Say you want to dig deeper into the "Food and Beverages" category. The index's historic

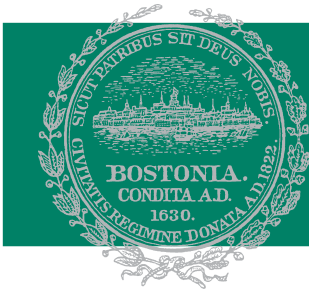
Table 6

Typical Urban Distribution of Spendable Income

	Income After Tax	Food & Beverages 15.72%	Housing 40.87%	Apparel 4.40%	Transportation 17.06%	Medical Care 5.81%	Recreation 6.02%	Education & Communication 5.81%	Other Goods & Services 4.31%
Allston/Brighton	\$1,222,302,880	\$192,146,013	\$499,555,187	\$53,781,327	\$208,524,871	\$71,015,797	\$73,582,633	\$71,015,797	\$52,681,254
Back Bay/Beacon Hill	\$1,476,375,440	\$232,086,219	\$603,394,642	\$64,960,519	\$251,869,650	\$85,777,413	\$88,877,801	\$85,777,413	\$63,631,781
Central	\$830,319,600	\$130,526,241	\$339,351,621	\$36,534,062	\$141,652,524	\$48,241,569	\$49,985,240	\$48,241,569	\$35,786,775
Charlestown	\$473,635,760	\$74,455,541	\$193,574,935	\$20,839,973	\$80,802,261	\$27,518,238	\$28,512,873	\$27,518,238	\$20,413,701
Dorchester	\$1,236,776,320	\$194,421,238	\$505,470,482	\$54,418,158	\$210,994,040	\$71,856,704	\$74,453,934	\$71,856,704	\$53,305,059
East Boston	\$466,100,080	\$73,270,933	\$190,495,103	\$20,508,404	\$79,516,674	\$27,080,415	\$28,059,225	\$27,080,415	\$20,088,913
Fenway/Kenmore	\$439,252,000	\$69,050,414	\$179,522,292	\$19,327,088	\$74,936,391	\$25,520,541	\$26,442,970	\$25,520,541	\$18,931,761
Hyde Park	\$489,194,480	\$76,901,372	\$199,933,784	\$21,524,557	\$83,456,578	\$28,422,199	\$29,449,508	\$28,422,199	\$21,084,282
Jamaica Plain	\$696,695,280	\$109,520,498	\$284,739,361	\$30,654,592	\$118,856,215	\$40,477,996	\$41,941,056	\$40,477,996	\$30,027,567
Mattapan	\$445,300,880	\$70,001,298	\$181,994,470	\$19,593,239	\$75,968,330	\$25,871,981	\$26,807,113	\$25,871,981	\$19,192,468
Roslindale	\$570,467,360	\$89,677,469	\$233,150,010	\$25,100,564	\$97,321,732	\$33,144,154	\$34,342,135	\$33,144,154	\$24,587,143
Roxbury	\$618,979,520	\$97,303,581	\$252,976,930	\$27,235,099	\$105,597,906	\$35,962,710	\$37,262,567	\$35,962,710	\$26,678,017
South Boston	\$580,590,480	\$91,268,823	\$237,287,329	\$25,545,981	\$99,048,736	\$33,732,307	\$34,951,547	\$33,732,307	\$25,023,450
South End	\$812,883,760	\$127,785,327	\$332,225,593	\$35,766,885	\$138,677,969	\$47,228,546	\$48,935,602	\$47,228,546	\$35,035,290
West Roxbury	\$643,325,840	\$101,130,822	\$262,927,271	\$28,306,337	\$109,751,388	\$37,377,231	\$38,728,216	\$37,377,231	\$27,727,344

Source:

U.S. Bureau of Labor, "Relative importance of components in the Consumer Price Indexes: U. S. City average, December 2001"



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data (not printed here) allows you to estimate that Allston/Brighton spends \$5.4 million (0.44%) on "cereal & cereal products", \$10.4 million (0.85%) on "bakery products", and \$26.6 million (2.18%) on "meats, poultry, and fish".

How These Data Help Start a Business

The process just described enables you to create a rough order estimate of dollars available in a community for certain goods and services. Obviously, there is more work to do because there will be other businesses already out there capturing many of those dollars. Therefore, a competitive survey is needed.

A Competitive Survey is Critical

The next crucial step in business planning is identifying all of the other businesses providing similar products or services within striking distance of your selected location. Not only do you have to identify the total number of competitors, you also need to estimate the amount of floor space they currently occupy. Here's why.

In retail, competition is usually measured by the amount of square feet of selling space within the territory. Retail analysts have determined estimates for the number of dollars that will be generated annually by each square foot in each industry. An excellent resource for this information is *the Retail Tenant Directory*. While these data benchmarks are modeled from reasonably efficient national chains, they still provide useful targets. For example, the *Directory* tells us that a toy store will bring in \$188.55 per square foot in one year. A bath and linen shop can bring in \$156.50 per square foot and a specialty clothing store can gross \$178.17.

Once you have summed all of the square feet of selling space for a competing product line in your territory, you multiply this sum by the proper average sales per square foot figure. The result is a dollar amount that represents supply. This dollar figure is an estimate of how much supply is available to absorb the total dollars you believe are available for this product. For example, earlier we noted that a typical toy store expects to make \$188.55 per square foot of floor space. If you found there were a total of 50,000 s.f. of toy store space in your territory, you would assume there are \$9,427,500 worth of supply (i.e., 50,000 X \$188.55) ready to absorb consumer demand for toys. You would then compare this figure to the estimated amount your territory spends on toys based on its income level. Hopefully, your research suggests that consumers in your territory spend more than \$9.4 million.

The Proximity of a Competitor

You may already have noticed that you must estimate another aspect of supply in your study. That is, how close do similar businesses have to be before they are considered competition? Some similar businesses will be farther from your location than people typically will travel. Therefore, you need not include their total square footage of selling space in your study.

Similar to sales per square foot, analysts have calculated the reach or radius of influence of a wide array of products and services. For example, a convenience store may draw customers only from a quarter of a mile while a large furniture store can draw customers for 15 miles. Like dollars-per-square-foot, territorial reach estimates are available in resources such as *the Retail Tenant Directory*.

Crunch the Numbers

When all is said and done, the entrepreneur has to study the numbers carefully. Hopefully, they reflect a situation where there is more demand for goods and services than the available local supply. This would create a great opportunity. You should be able to attract lots of sales motivated by the convenience you offer, allowing consumers to travel shorter distances to acquire needed items.

Of course, it is also true that you might not get the result you want. You might find that the territory you would serve already is over saturated with supply for the amount of income residents can be assumed to spend. In this case, you might abandon a certain location and begin the search elsewhere.

Professional Help is Available

At the same time, your entrepreneurial concept might be fresher and more appealing than the established competition and, even though enough supply already exists, you might be able to take customers from your competition. To determine if this is possible, additional and intensive customer study is essential. But be advised; it takes a lot of skill coercing potential customers to reveal future purchasing habits. The best investment you make might be to hire a professional consultant who can obtain these answers with a high degree of confidence. All things considered, it makes a lot more sense to pay for a professional opinion about your chance for success before investing in long-term leases, building improvements, and inventory procurement.

Numerous private firms provide these services and there are many public agencies ready to help you find them. We suggest consulting with Boston Main Streets district managers and the business counselors from the DND's Business Assistance Team (617.989.9100).